

Charles Glass... the American... in August... of captivities... has been... his way... but will... "There is... with... out of being... are still... in the British... He said... at home... other... had... from... publishers... editor... impression... with... reason... for... interest

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Reagan Rejects Pentagon View Territory On European Arms Accord

By R. Jeffrey Smith
WASHINGTON — Despite an impassioned private appeal from Defense Secretary Caspar W. Weinberger, President Ronald Reagan has rejected the Pentagon position on U.S.-Soviet arms control negotiations, an action signaling his desire to move swiftly to reach an agreement with Moscow, according to senior U.S. officials.

Territory Votes for France

But Critics See Little Settled in New Caledonia
By Edward Cody
WASHINGTON Post Service
PARIS — New Caledonia voted overwhelmingly on Sunday to remain a French territory. But critics said the vote in the Pacific island territory settled little and could lead to more ethnic violence.

Shevardnadze Arrives In U.S. for Talks on Pact

By Don Oberdorfer
WASHINGTON Post Service
WASHINGTON — The Soviet foreign minister, Eduard A. Shevardnadze, arrived Sunday to discuss final details of an arms accord with Secretary of State George P. Shultz, who expressed optimism that a much-discussed outstanding issue can be resolved.

UN Official Meets With Iranian President

Javier Pérez de Cuéllar, the UN secretary-general, met with President Ali Khamenei of Iran on Sunday before flying to Iraq on his mission to persuade both sides to accept a United Nations Security Council resolution on a cease-fire in the Gulf war.



UN Official Meets With Iranian President
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Election Setback For Kohl

Party's Losses in 2 States Follow Reversals in May
By Robert J. McCarty
Washington Post Service
BONN — Chancellor Helmut Kohl's Christian Democratic Union suffered sharp losses in two state elections Sunday, marking the conservative party's second electoral setback in four months.

Finance Ministers Strengthen Policy On European Currency Intervention

NYBORG, Denmark — European Community finance ministers, in a decision with important implications for currency markets, have agreed to increase cooperation to limit turbulence in European foreign exchange rates.

Mr. Shevardnadze and his party arrived at Andrews Air Force Base outside Washington.

The future of the territory has been a troublesome political issue in France since an insurrection in 1984 by the indigenous Melanesians, who have become a minority among thousands of European and other settlers.

President François Mitterrand of France has expressed deep disagreement with Prime Minister Jacques Chirac's handling of the dispute, straining an uneasy working arrangement between the Socialist president and Mr. Chirac's Gaullist government.

Kiosk Moscow Allows Goldfarb Visit

NEW YORK (Reuters) — Soviet authorities have told the daughter of David Goldfarb, a Soviet dissident, that she can leave Moscow to visit her sick father in New York, her brother said Sunday.

Robertson Beats Bush in Iowa Straw Poll

By E.J. Dionne Jr.
New York Times Service
AMES, Iowa — What was billed as the first real face-off among Republican presidential candidates has turned into a triumph for the Reverend Pat Robertson, who brought hundreds of supporters to a sports arena here and defeated all the Republican presidential contenders in a straw poll.

Contras Said to Gain Nicaragua Foothold

By Stephen Kinzer
New York Times Service
MUY MUY, Nicaragua — Guerrillas backed by the United States have established a foothold here in central Nicaragua, residents of the area say.

Reagan Faults Latin Plan

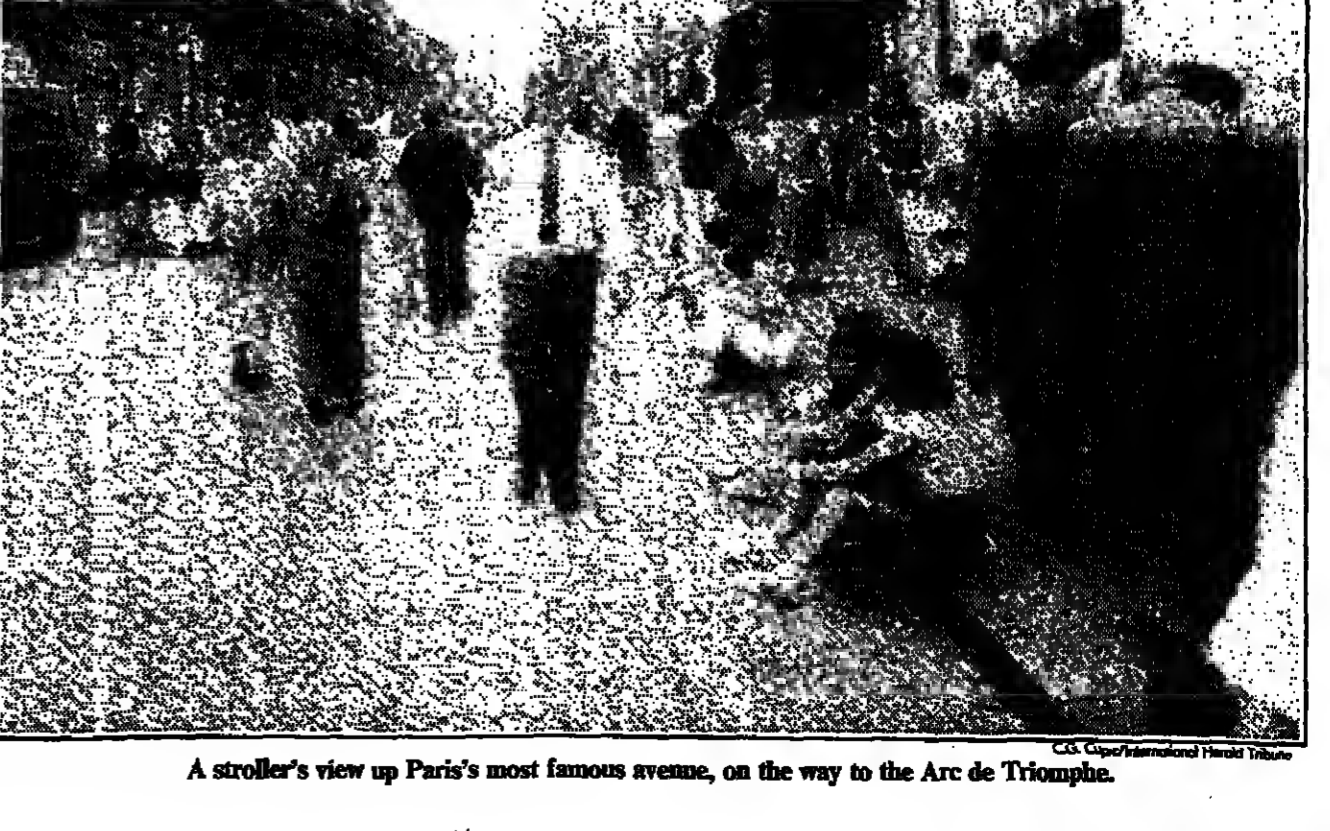
Neil A. Lewis of The New York Times reported from Washington: Mr. Reagan strongly criticized the Central American peace plan adopted by five nations of the region. He also said the plan did not



Martina Navratilova beat Steffi Graf for the U.S. Open women's championship. The Lendl-Wilander match for the men's title was postponed until Monday because of rain. Page 17.

On the Champs-Élysées, Paradise Lost

Idle Youths, Tourist Throngs Change Avenue's Image
By Julian Nundy
International Herald Tribune
PARIS — The fight started when a leather-jacketed youth crossing the street kicked the side of a car that, he thought, had passed too close.



A stroller's view up Paris's most famous avenue, on the way to the Arc de Triomphe.

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AMERICAN TOPICS

Roadside Architecture Is Being Preserved

Vintage roadside architecture — huge dogs containing hot-dog stands, smoco wigwags, diners, tourist cabins — is the focus of a growing preservation movement. But examples are disappearing quickly as land values rise and tastes change. The New York Times reports.

In Dearborn, Michigan, the Henry Ford Museum is setting up an exhibit that will include a 1946 diner, an old Holiday Inn sign, a simple 1931 tourist cabin, parts of a miniature golf course of the early 1930s and a drive-in movie theater from the 1950s.

Suffolk County, Long Island, plans to move a two-story duck house of wire lath, cement and stucco from its present site, which is threatened by development, to a safer location. In Albuquerque, New Mexico, a partnership of business and the National Trust for Historic Preservation is preserving a shopping area a mile and a half (2.4 kilometers) long containing some of the earliest examples of gasoline stations and motor courts, the precursors of today's motels.

rights brought \$1 million, and the paperback sale fetched \$3 million, a record for a first novel. Despite his sudden riches, Mr. Turow plans to continue with his Chicago law practice. He told The Washington Post that he hopes to work out some accommodation with his partners whereby he can write several days a week when he is not involved in a trial. He said he would "have to get over my own compulsiveness" as far as the practice of law is concerned. "I find it very difficult, if I have anything to do, to relax, to divert myself to write."

Governor Mario M. Cuomo of New York has been traveling a lot this year but he is not seeing much of the country or its people. He almost never explores the place he is visiting. The New York Times reports. Instead, he goes straight from plane to podium and back to plane, or, if staying overnight, he keeps to his hotel room. Mr. Cuomo says that, surrounded by aides and reporters, he is hardly going to get any insights. Besides, he says, having grown up in a poor family and worked as a minor-league baseball player, lawyer and teacher, "I do not have to depend on my travels as governor as a life-learning experience."

Short Takes

The police department in Central Falls, Rhode Island, has held its own traffic and misdemeanor courts for the past 30 years or more, with officers presiding over trials, in violation of state law and the U.S. Constitution. Defendants could pay minor fines, ask to have cases dismissed or go to district court. The practice, which began when the town's district court closed in the 1950s, was exposed last month by the Providence Journal. Local officials say the trials were well-intentioned attempts to speed the course of justice and unburden the state courts of minor cases.

Notes About People
Scott Turow's novel "Presumed Innocent" has been a best seller most of the summer. The film



A LIBERTY FLAME FOR FRANCE — The West Point Glee Club performed during the unveiling of the Flame of Liberty, a copy of the flame held by the Statue of Liberty, in Jersey City, New Jersey. The flame replica,

built by the French craftsmen who restored the statue for its centennial last year, is to be presented to France, commemorating close French-American ties and the 100th anniversary of the International Herald Tribune.

band of Prime Minister Margaret Thatcher of Britain. The founder is Charles E. Horner, an associate director of the U.S. Information Agency. His wife, Constance, is director of the federal Office of Personnel Management.

most impact on the world in this century? The New York Times reports that the most frequently mentioned men are Churchill, Einstein and Franklin D. Roosevelt; Margaret Thatcher, Eleanor Roosevelt and Margaret Sanger, the population control pioneer, are the top women. The Times found that Henry Ford and the Wright brothers are seldom mentioned.

Fat Americans ended its annual convention last week in Newark, New Jersey. About 200 members showed up. William F. Abbey of Port Washington, New York, said he founded the nonprofit group 18 years ago to help "those with the abundant figure" lift one another's self-esteem. Fat people are "the last safe minority to pick on," said the association president, Eileen M. LeFebvre, "and we resent it immensely."

The National Association to Aid

Liberals Triumph in Ontario Voting; Result Seen as Setback for Mulroney

TORONTO — The Liberal Party has been returned to power in Ontario, the most populous Canadian province, after an election campaign dominated by a proposed free trade agreement between Canada and the United States. Final returns Friday gave 95 seats in the 130-seat Legislature to the Liberal Party, which was out of power in the province for more than 40 years before forming a minority government after the previous election two years ago.

tain a wary attitude on the free trade issue. But it was seen as a setback for Prime Minister Brian Mulroney, the Conservative leader, who has made a trade pact with the United States the centerpiece of his policy.

OTTAWA — The director of the domestic intelligence service in Canada has resigned after the agency admitted using false information to obtain a wiretap on a Sikh suspect.

Canadian Quits As Director of Intelligence Unit

OTTAWA — The director of the domestic intelligence service in Canada has resigned after the agency admitted using false information to obtain a wiretap on a Sikh suspect.

Albanian Yacht Rescue Brings Overture to U.S.

By Henry Kamm
New York Times Service
BELGRADE — In a sharp departure from its longstanding hostility toward the United States, Albania rescued a yacht owned by an American that entered its territorial waters during a storm in June, sheltered its four passengers for three days and allowed them to continue when the weather improved.

ment in Tirana has maintained the entire nation of 2.9 million on a permanent alert against suspected spies, encouraging suspicion of anyone who neared Albanian territory.

ARMS: Reagan Rejects Pentagon Stance, Signaling Desire for Accord Soon

(Continued from Page 1)
the outset of the agreement to demonstrate good faith. Administration officials who support the president's recent decision said the moves would remove potential stumbling blocks that would have delayed an arms effort to verify Soviet treaty compliance. They said that Mr. Weinberger's proposal to include nonnuclear missiles was opposed by the intelligence community and the State Department because of the difficulty of ensuring that missiles with ostensibly nonnuclear warheads were not armed with nuclear weapons.

amendment that would put the Defense-controlled Senate on record against any arms control provisions that would "further the interests of the Soviet Union."

MANAGUA — Monsignor Bismarck Carballo, exiled last year by the Sandinista government, has returned to Nicaragua from the United States.

Cleric Returns to Nicaragua

MANAGUA — Monsignor Bismarck Carballo, exiled last year by the Sandinista government, has returned to Nicaragua from the United States.

Both emphases confirmed that the rescue and the exchange of notes had taken place, but said the incident had no significance in the relations between the two countries. Nonetheless, an Albanian diplomat said he knew of no other note sent to the United States, except for requests for visas for delegates to the United Nations.

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Pope Appears to Back Sanctuary Movement for Latin America Refugees

SAN ANTONIO, Texas — Pope John Paul II said here Sunday that people in the United States must keep their doors open to Central American refugees.

ping his hands during the singing of the hymn "Black Thankfulness." He said, "I urge you to keep alive and active your rich cultural gifts."

Error Gave Researcher AIDS Virus

WASHINGTON — A researcher at a laboratory associated with the National Institutes of Health was not following proper safety rules when he became infected with the concentrated strain of the AIDS virus he was handling, federal health officials have said.

Dr. Wynyarden did not say how the worker erred, but other federal officials said he removed his gloves to take notes in an area where the virus may have leaked from a machine. Officials added that the researcher had skin abrasions on his hands and that the virus that causes acquired immune deficiency syndrome can enter the body through cuts.

Black Poverty Assailed

Roberto Suro of the New York Times reported from New Orleans: On Saturday the pope denounced the "economic deprivation" suffered by U.S. blacks and praised the nonviolent tactics of the civil rights movement as divinely inspired.

Dr. Wynyarden did not say how the worker erred, but other federal officials said he removed his gloves to take notes in an area where the virus may have leaked from a machine. Officials added that the researcher had skin abrasions on his hands and that the virus that causes acquired immune deficiency syndrome can enter the body through cuts.

Addressing 1,800 black Catholics, he said: "Even in this wealthy nation, committed by the Founding Fathers to the dignity and equality of all persons, the black community suffers a disproportionate share of economic deprivation. Far too many of your young people receive less than an equal opportunity for a quality education and for painful employment."

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OPINION

Herald Tribune

Help the Talks Along

The Reagan administration contends that making peace in Nicaragua requires making the Sandinistas worry about the contras. Otherwise the Sandinistas will promise everything, wait for Congress to stop aid to the rebels — and then deliver nothing. It is a plausible argument, which justifies keeping alive the possibility of further aid to the contras. But that is the only plausible part of the administration's policy, which in almost every respect remains misguided, or worse.

The administration is sincere about peace, it will flourish more than threats. Instead of deluding the contras about their future as a fighting force, it would be wise to press them to enter Nicaraguan politics under the new Guatemala City peace plan. Instead of merely sniping at the plan's weaknesses, the administration would do better to strengthen it.

The plan calls on governments and rebels to cease fire by Nov. 7. By then, governments are to institute democratic measures and outsiders must end aid to rebels. The plan's sponsors believe that success is best assured by all parties showing good faith and putting it into effect step by step.

El Salvador has been dragging its heels. But Nicaragua seems to be taking tentative steps toward democracy and to be restoring civil liberties. Yet the Reagan administration, in the face of the plan's requirement to cut off aid, has chosen to tell Congress that it wants more than ever before. Why?

The current U.S. aid program ends on Sept. 30, but there is enough money in the pipeline to buy guns and supplies through the Nov. 7 deadline. What administration officials and rebel leaders fear is that with-

out evidence of continuing U.S. support, the contras' morale may collapse. This Secretary of State George Shultz asks Congress for an unprecedented \$270 million over 18 months. Wisely, he did not ask the White House would call for a vote before Nov. 7. The amount is preposterously high, and in any event Congress would probably defeat any aid request as long as serious negotiations are under way. If Mr. Reagan intends to let the matter rest there, it could make credible his desire to keep the contras viable. Where he really needs credibility, however, is in his diplomacy.

The administration has to live down a cynical record on Central American negotiations. A November 1984 memo from Vice Admiral John Poindexter that surfaced as a result of the Iran-contra hearings makes the point. Entitled "Central America," it reads: "Continue active negotiations but agree on nothing and try to work out some way to support the contras, either directly or indirectly. Withhold true objectives from staff."

If that is still the administration's attitude, it surely remains capable of damaging, even undermining, the peace talks. Then, if the talks failed, it could blame the Sandinistas and ask Congress to restore aid. Such a cynical strategy would not fool Congress, and would leave the administration without contras aid and without peace.

The peace process, meanwhile, has taken on a life of its own, thanks to the vision and hard work of President Oscar Arias of Costa Rica and other Central American leaders. Surely U.S. interests would be better served by helping the talks along.

—THE NEW YORK TIMES

Aquino Has What It Takes for a Tough Job

By Stephen W. Bosworth

The writer was U.S. ambassador to the Philippines from 1984 to last April. This is the first of two articles.

HANOVER, New Hampshire — In the five months since I returned from my assignment in the Philippines, I have repeatedly been asked whether President Corason Aquino "can make it." Initially, I responded with an affirmative nod and a brief "I believe she can." After the recent military coup attempt, however, the question requires a more complete response.

If "making it" means turning the Philippines into a stable, prosperous, self-confident model of a developing democracy, the answer is clearly no. The problems are too difficult, the sense of nationalhood too weak and the time given to Mrs. Aquino until the end of her term in 1992 too short.

But if the question is whether her government can survive and continue to make gradual but important progress in solving the country's problems, then my answer remains yes. I sometimes sense, however, that the real question being asked is not so much "Can she make it?" but rather "Is she really up to it?" Is this obviously sincere and courageous woman strong enough and tough enough to prevail against the forces arrayed against her — Communists, aggressive colonels, political warlords?

Having watched her at first hand in the first year of her presidency, my answer is yes. On the basis of what she has done and the crises she has survived, I believe she is up to the job. She is no longer an inexperienced housewife, as she was described by Ferdinand Marcos, and by herself, during the election campaign nearly two years ago. She has surprised many people in the last few

months, including some of her original supporters against Mr. Marcos. Throughout the election campaign and in the first months of her presidency, many of the more experienced politicians in her camp assumed that she would reign but not rule and that they would run the country. That proved to be a fundamental misreading of Corason Aquino. She is intelligent and tough-minded. She was tempered by the election campaign and by her successful leadership of the Filipino people during the dramatic events that followed the election and that culminated in Mr. Marcos's flight from Manila to a restless exile in Oahu.

But the first months in office were difficult for her. Not only did she have no experience in public administration, she also had the handicap of never having been a working woman, of never having had to assert herself in a day-to-day working environment. She was intelligent and industrious, but she now had to learn to impose her personal leadership over a diverse collection of ambitious men and women, many of whom had political agendas that were not compatible with her own.



Mr. Bosworth is a visiting fellow at Dartmouth College, where he is writing a book. He contributed this column to The Washington Post.

The News Stories Are Still About the Constitution

By A.M. Rosenthal

NEW YORK — American navy in combat readiness in Persian Gulf. Hart raises privacy issue. Killer executed in Florida. Justice Department organizes anti-obscenity drive. Bork nomination dominates Washington politics. Anti-abortionists demonstrate in state capital.

The stories have one thing in common: Every one of them involves the Constitution of the United States. So do dozens of other stories appearing every day in American newspapers and on television.

indicate illegal bias? Who has the right to say that a woman can have an abortion? Who has the right to say she cannot? Courts? State legislatures or Congress? Or is it a right she was born with, inalienable?

This Constitutional Earnestness Is as Good as a Festival

THE U.S. Constitution deliberately diffuses power, seeks to prevent the concentration of power in any branch and at any level of government. This goal is sometimes presented as negative, defensive, the Constitution is trying to avert bad things — tyranny, corruption. But there is a positive side to diffusing power: It brings more people into the workings of government.

The nearest analogue to the Constitution is probably the Bible. It, too, pervades American culture, and it, too, elicits debates and exercises intellect in its explication. Argument over the meaning of a text is a sign that it lives.

cheer their idols, but they don't bow or kneel to anybody. The nearest analogue to the Constitution is probably the Bible. It, too, pervades American culture, and it, too, elicits debates and exercises intellect in its explication.

The True Place for a Just Man . . .

By Colman McCarthy

WASHINGTON — A friend writes from Oakland: "I am getting myself back into the horror of several days ago. Brian — is as usual, a source of strength and support for me, even as he lies legless in a hospital bed."

occurred in South Africa, the Soviet Union or another police state in which train schedules and arms deliveries are more sacred than life. But this was the United States, where the government, at least in constitutional theory, deals with dissenters in less bloody ways than running trains into them.

more serious crime "than destruction of defense property." An appeals court judge, with an imagination in sonnet condition, said in a dissent to the 2-to-1 upholding of the decision: "The actions of the . . . defendants constitute part of the growing clamor against the nuclear threat. Through their dramatic act of civil disobedience, [they] seem to have sacrificed their own freedom in hopes of awakening the public to the grave danger of nuclear annihilation."

Keep the Pressure On

As Secretary of State George Shultz and Foreign Minister Eduard Shevardnadze prepare to meet this week, twin campaigns are being waged on an issue with a powerful, proven potential to affect superpower relations. The Kremlin, having permitted a slight increase in Jewish emigration, is ostentatiously freeing some of the most prominent remaining "refuseniks."

This issue — and to what the Kremlin does. There is also the question of arms control. The Soviet foreign minister's meeting with Mr. Shultz should bring within early reach a summit at which President Reagan and General Secretary Gorbachev sign an agreement long in the works to eliminate all of the two countries' intermediate-range nuclear missiles.

Judgment of a Judge

Of course the Senate should scrutinize the views of Judge Robert Bork, President Reagan's latest nominee for the Supreme Court. The administration's pious protests aside, that would not inject politics into the judicial process. Politics is already there — put there by the Constitution, which says that appointments shall be made "by and with the Advice and Consent of the Senate."

deed, was "a serious and wholly unjustifiable usurpation of state legislative authority." The Senate must ask itself, if not the nominee: Does such urgent sentiment mean that he would vote to overturn the 1973 decision, reviving state-by-state agitation?

There is a vast written record to explore. Over three decades as an articulate and combative Yale professor, Justice Department lawyer, private practitioner and ambitious appellate judge, Judge Bork has fashioned an elaborate, coherent theory about the court's place in modern society. That role can be briefly described: much smaller, especially concerning individual rights.

Over the years, he has vehemently opposed a federal law desegregating lunch counters. He has resisted interpretations finding support for equal rights for women in the Constitution and he has opposed the Equal Rights Amendment. What view of these rights does he hold today and how long has he held them? As acting attorney general in 1973, he dismissed the Watergate Prosecutor, Archibald Cox, on orders from President Nixon. Does he still hold that the president had the right to issue that order, however illicit the purpose? Is his vision of executive power still so reverent?

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Unwelcome Trouble For NATO

By Jim Hoagland

PARIS — An American effort to persuade Britain's Lord Carrington to extend his tour as NATO secretary-general has failed. The alliance now faces a divisive contest in choosing its new civilian leader.

NATO does not need more discord. Protracted intra-alliance bargaining over the proposed U.S.-Soviet arms-control treaty has left deep scars on Chancellor Helmut Kohl's coalition government in Bonn, and new skirmishing could reopen those wounds.

Washington's intermediaries could not persuade Lord Carrington to put up with another year of consuming between London and NATO headquarters in Brussels as a way out of an unenviable public contest. He has his successor, Margaret Thatcher's former foreign secretary, who has given notice that he will formally leave the NATO job next June, no longer craves his boredom with Brussels and his frustration with NATO's bureaucracy.

The opening round of this succession struggle pits Mr. Kohl's nominee, Defense Minister Manfred Wörner, against Norway's Kaare Willoch, a former Conservative prime minister. It is a match between defense expert Wörner and accomplished political operator Willoch. But in a larger sense the struggle is along a dangerous fault line within NATO, with the alliance's largest members compelled to back Mr. Kohl's choice while its smaller members prefer the Norwegian.

Mr. Wörner's strong partisan involvement in the Euro-missile debates would serve to keep contentious issues center stage in the badly needed debate on alliance strategy that a Soviet-U.S. treaty will bring. Moreover, his candidacy is unusual, an acknowledgment of Mr. Willoch's candidacy was apparently calculated to keep Britain from committing its support to Mr. Wörner. If Oslo can gain Mrs. Thatcher's backing or neutrality, it can stop him.

That, unfortunately, does not mean that Mr. Willoch automatically wins, even though he is the right candidate at the right time. His political skills are what the alliance needs at a time when it will be wrestling with Mr. Gorbachev's adept diplomacy, the aftermath of the Euro-missile controversies and growing problems with Spain, Greece and Turkey on the southern flank.

U.S. Hopes for Mission

WASHINGTON — Reagan administration officials are breaking into a pensive mood as they see an apparent change in the break-through negotiations between the United States and the Soviet Union.

Heavily involved in the new Iranian arms deal, the U.S. is growing more nervous about the possibility of a power competition in applying for the UN Security Council seat. The U.S. also acknowledges that the Iranian nuclear program is a major concern.

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Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277. Prices may vary according to market conditions and other factors.

Dollar Straights

Table of Dollar Straights with columns for Issuer, Con, Mat, Price, and Yield.

United Kingdom

Table of United Kingdom bonds with columns for Issuer, Con, Mat, Price, and Yield.

United States

Table of United States bonds with columns for Issuer, Con, Mat, Price, and Yield.

Dollar Zero Coupons

Table of Dollar Zero Coupons with columns for Issuer, Con, Mat, Price, and Yield.

Canada

Table of Canadian bonds with columns for Issuer, Con, Mat, Price, and Yield.

Scandinavia

Table of Scandinavian bonds with columns for Issuer, Con, Mat, Price, and Yield.

DM Straights

Table of DM Straights with columns for Issuer, Con, Mat, Price, and Yield.

DM Zero Coupons

Table of DM Zero Coupons with columns for Issuer, Con, Mat, Price, and Yield.

France

Table of French bonds with columns for Issuer, Con, Mat, Price, and Yield.

Supranational

Table of Supranational bonds with columns for Issuer, Con, Mat, Price, and Yield.

European

Table of European bonds with columns for Issuer, Con, Mat, Price, and Yield.

Non-European

Table of Non-European bonds with columns for Issuer, Con, Mat, Price, and Yield.

Japan

Table of Japanese bonds with columns for Issuer, Con, Mat, Price, and Yield.

Western Europe (Other)

Table of Western Europe (Other) bonds with columns for Issuer, Con, Mat, Price, and Yield.

Options & Swaps

Table of Options & Swaps with columns for Issuer, Con, Mat, Price, and Yield.

Supranational

Table of Supranational bonds with columns for Issuer, Con, Mat, Price, and Yield.

Table of International Bonds with columns for Issuer, Con, Mat, Price, and Yield.

Yen Straights

Table of Yen Straights with columns for Issuer, Con, Mat, Price, and Yield.

DM Zero Coupons

Table of DM Zero Coupons with columns for Issuer, Con, Mat, Price, and Yield.

ECU Straights

Table of ECU Straights with columns for Issuer, Con, Mat, Price, and Yield.

DM Straights

Table of DM Straights with columns for Issuer, Con, Mat, Price, and Yield.

NYSE Most Actives

Table of NYSE Most Actives with columns for Vol, High, Low, Last, and Change.

AMEX Most Actives

Table of AMEX Most Actives with columns for Vol, High, Low, Last, and Change.

NYSE Diaries

Table of NYSE Diaries with columns for Title, Last, and Change.

AMEX Diaries

Table of AMEX Diaries with columns for Title, Last, and Change.

Chicago Exchange Options

Figures as of close of trading Friday. Sept 11

Table of Chicago Exchange Options with columns for Option & Price, Calls, and Puts.

Chicago Exchange Options

Figures as of close of trading Friday. Sept 11

Table of Chicago Exchange Options with columns for Option & Price, Calls, and Puts.

Wall Street Review

THE ANSWER as far as Eurobonds... The market eventually finished...

Wall Street Review article text discussing market conditions and Eurobonds.

WestLB

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INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric: International Positions.

Table of International Positions with columns for Title, Salary, and Employer.



EUROBOND MONDAY, SEPTEMBER 14, 1987

Impact of U.S. Trade Blunted by Jitters

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EUROBONDS

Impact of U.S. Trade Gap Blunted by Jittery Dealers

LONDON — The U.S. trade deficit rose to \$16.47 billion in July from \$15.71 billion in June. It is a simple enough statement, but it was one the Eurobond market had been anxiously awaiting the whole week. In fact, bond traders are not especially concerned about the actual size of the deficit. What does worry them is its effect on the U.S. dollar.

One dealer at a U.S. securities house in London illustrated this point Friday. "I'm a trader, not an economist," he said. "An American buying a Toyota doesn't really worry me, but the dollar falling 1.5 pfennigs does. It hits my book" of bond holdings.

The dollar has been falling against most major currencies for over a year now as the U.S. trade deficit has widened. Until recently foreign holders of dollar Eurobonds were protected somewhat from the effects of a weaker dollar by the fact that interest rates were also falling. But the end of that trend was abruptly signaled on Sept. 4 when the Federal Reserve raised the U.S. discount rate to 6 percent from 5.5 percent.

The market had been expecting a trade deficit of around \$15.5 billion. Anything less and the dollar probably would have risen. So when news of the largest-than-expected deficit flashed across their computer screens, the natural reaction of traders was to sell, and they did — heavily.

Within minutes the dollar had fallen by more than 1.5 pfennigs against the Deutsche mark and also by 2 yen. The U.S. Treasury's key 30-year bond fell a full percentage point. Longer-dated fixed-rate dollar Eurobonds fell by a similar amount. It looked like the traders, in judging the figure, had gotten it right.

But then something curious happened. The dollar started rising from its lows. Within three hours the U.S. long bond was trading at levels above Thursday's close and eventually finished the U.S. session about a half-point higher than this morning's finish.

Why did this happen? On the surface, nothing had changed. The deficit was still the same and already economists were saying that the dollar was in for a further rough ride.

THE ANSWER as far as Eurobonds were concerned was that trading fundamentals took over. Dealers in Europe are generally reluctant to go home for the weekend with too many short positions on their books. It can prove very expensive if any news breaks that sends bond prices higher. So the traders started to buy bonds to cover those positions. The same thing happened to the dollar in the currency markets.

One dealer at a U.S. securities house said he had established a large short position in a particular bond issue immediately after the figures. "It cost me money to get it back," he confessed ruefully. "The trouble is when you're short and the market starts to rise, prices move up in 1/4- or 1/2-point bounds."

With dealers describing the market as oversold, other traders rushed to cover short positions. The gains became self-feeding and the market eventually finished with some issues showing half-point increases from Thursday's levels, although prices generally were as much as 1 point down from the previous week.

In the longer term, though, one day's trading means nothing. Many dealers and analysts feel that further interest-rate rises will be needed in order to protect the dollar. For example, on Thursday, Albert Wejnliowier, First Boston Corp.'s managing director, said that he expects the Federal Reserve to raise the discount rate to 7 percent by the end of the year.

Some optimists cite February's Louvre accord on currency stabilization as a factor that will support the dollar. Recently central banks — notably West Germany's Bundesbank and the Bank of Japan — have indeed been buying dollars heavily.

But as one doubtful trader put it, "The central banks are going to get fed up buying dollars that no one wants. Something's got to give." By Friday evening dealers were already speculating that the dollar could soon decline another 1/2 percent.

No new dollar straightens were launched last week. But this does not mean that borrowers are not waiting on the sidelines. Indeed, this week should see the launch of a \$1 billion offering for Italy. Although Credit Suisse First Boston Ltd. will not comment formally on whether it has received the mandate to arrange the deal, market sources say that the firm approached potential co-lead managers on Wednesday.

The sources say that these banks were approached to underwrite a hefty \$100 million each. They noted that these firms were unwilling to commit themselves to such an extent ahead of the U.S. trade figure.

But this week is a different matter and the sources say the bond could emerge as early as Monday. Price talk has centered on a three-year deal with a yield spread of 55 to 60 basis points, or

Currency Rates

Table with columns for Currency, Rate, and Date. Includes entries for Gold, Silver, and various international currencies.

Table with columns for Currency, Rate, and Date. Includes entries for various international currencies.

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Spending Fuels Economic Boom in Portugal But Inflation Fears Grow, Too

By Paul Delaney New York Times Service

LISBON — When the parking lot of Continental, a sprawling supermarket complex with 53 checkout counters, is filled, shoppers leave their cars along the shoulders of a nearby expressway and risk crossing four lanes of traffic to reach the bargains in Lisbon's first American-style shopping mall.

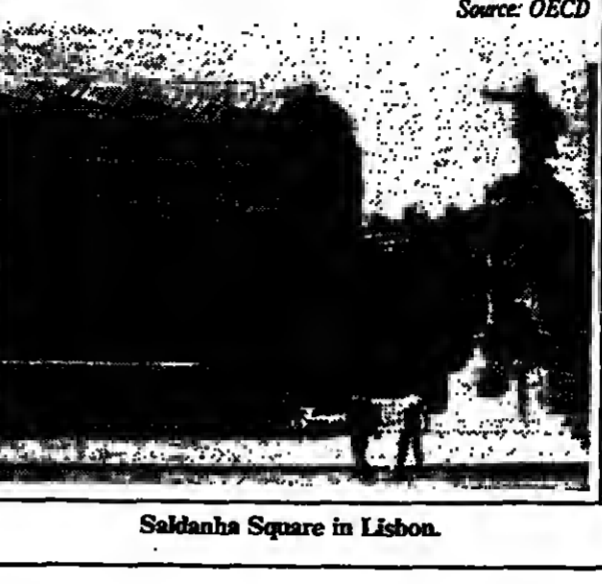
Maybe not everyone walks back to a car on the expressway hauling a sofa, as one man was seen doing, but shoppers file out of the one-story structure loaded down with consumer goods.

Margareta Alves, a music teacher, and her companion, Francisco Teixeira Mota, an attorney, acknowledged that they have been spending money like crazy the past two years, buying a compact disk player, furniture, a car, a clothes dryer, artwork and a vacation home.

Then there is Antonio Pedro Vasconcelos, a movie director, and his wife, Teresa Schmidt. Their recent purchases have included a car, washing machine and dryer, stereo, television and compact disk player.

They, like many of the 10 million citizens of Portugal, are on a binge that is helping to fuel an economic boom in a country

Table with columns: Demand, output and prices; Percentage changes, volume (1977 prices); 1982 current prices billion Esc; 1984, 1985, 1986, 1987, 1988.



Saldanha Square in Lisbon.

Source: OECD

Hungary's Economic Reform Plan Likely to Stir Debate

BUDAPEST — Hungary's new prime minister, Karoly Grosz, was watched anxiously by both East and West on Wednesday when he presented his new economic program and other tough measures to tackle an array of economic problems.

The package includes plans to introduce personal income tax and the East bloc's first value-added tax from January. It will be debated in what promises to be the liveliest session of the National Assembly for 30 years.

Western bankers are watching closely because of a worrying rise in Hungarian debt, which Mr. Grosz's "consolidation program" for 1988 to 1990 aims to cap. Communist leaders, however, particularly in the Soviet Union, are interested because Hungary has been a trailblazer in the economic changes many of them are now making.

"The session is crucial in that it will show how far Hungary is prepared to go to solve its problems," a Western diplomat said.

Diplomats say Soviet and Chinese reformers are eager to see that Hungary does not, as one pit it, "fall on its butt," because that could give ammunition to conservative opponents of change in their countries.

Net foreign debt has surged to more than \$10 billion from just over \$5 billion at the beginning of 1986, and is now higher per capita than that of Poland.

IMF Forecasts 2.6% Growth in Industrial World

WASHINGTON — The International Monetary Fund forecasts a tepid economic growth rate of 2.6 percent in the industrial world next year, slightly higher than the 2.4 percent expected for 1987, monetary sources said Sunday.

The forecast is contained in the IMF's World Economic Outlook, to be published later this month.

It implies that leading industrial nations should implement current policies faster to reduce massive trade imbalances between the United States and West Germany and Japan, the sources said.

One U.S. official suggested that progress in closing the gap between the huge U.S. trade deficit and the surpluses of Japan and West Germany may be too slow for the financial markets, where the dollar is already under renewed pressure.

The three nations agreed at a series of meetings this year that Bonn and Tokyo should boost their economic growth, expanding domestic demand in order to curb exports and bolster imports.

Washington, on the other hand, undertook to reduce its huge budget deficit, estimated at about \$157 billion this year, which economists

say is a major underlying cause of the trade deficit.

U.S. figures indicate that adjustment in U.S. trade is not yet happening. On Friday, the Commerce Department reported that the U.S. merchandise trade deficit widened to a record \$16.47 billion in July.

Congress is expected to pass a protectionist trade bill this month, putting pressure on the administration to demand greater stimulus from its key economic allies.

The IMF predicts that the United States' growth rate will be 3.1 percent in 1988, up from 2.4 percent this year.

West Germany's growth rate is put at a paltry 1.5 percent this year, improving to 2.3 percent in 1988. Japan's growth rate, meanwhile, is forecast at a robust 3.4 percent in 1988, up from 3.2 percent this year.

The IMF forecasts form the backdrop for meetings in Washington of the world's finance ministers and central bankers, due to begin in about two weeks.

The sources said that the IMF predicts that growth in the British economy will decline to a 2.2 percent pace from 3.3 percent in 1987.

Saudis Refuse Oil 'Swing' Role

New York Times Service VIENNA — Saudi Arabia's oil minister, Hisham Nazer, has said his country will not act as a "swing producer," reducing its output to help bring OPEC's overproduction into balance.

Mr. Nazer's remarks Friday underlined what analysts see as a growing rift between Saudi Arabia and Iran, whose year-old alliance helped push up prices by putting pressure on the Organization of Petroleum Exporting Countries to adhere to its quotas.

On Thursday, Iran's deputy oil minister, Hosein Kassebpoor Ardebil, said Saudi Arabia, OPEC's largest producer, should firm sagging prices by cutting its output and getting Kuwait and Iraq to trim theirs.

Holmes à Court's Stake In Standard Faces Limit

By Warren Getler International Herald Tribune

LONDON — The Bank of England has asked Robert Holmes à Court, the Australian financier, to limit his holdings in Standard Chartered PLC, Britain's fifth largest bank, until the central bank has completed an inquiry involving Standard, a Bank of England spokesman said Sunday.

Mr. Holmes à Court currently holds a 14.94 percent stake in Standard and was recently appointed its deputy group chairman.

In response to a query, the Bank of England spokesman said the financier had indicated that he wants to raise his stake above 15 percent, which the central bank considers a "controlling interest."

At Standard's request, the central bank is conducting an investigation of Standard's tactics in thwarting a hostile bid from Lloyds Bank PLC last year. The Bank is exploring press allegations that Standard improperly lent money to some investors who bought stakes in Standard during Lloyds' bid.

Mr. Holmes à Court, whose initial 4.7 percent shareholding helped Standard defeat the Lloyds bid, was unavailable for comment, although he is understood to have accepted the central bank's request.

The central bank, which has indicated that it hopes to complete its inquiry by January, has no specific authority to prevent the Australian financier from raising his stake.

The Bank will obtain such power on Oct. 1 when a new banking law allows it to force any shareholder deemed not "fit and proper" to reduce his stake below 15 percent.

Mr. Holmes à Court's motivations for increasing his stake are not clear, a senior official at Standard said Sunday, noting the holding was not considered hostile.

Separately, Michael D. McWilliam, the bank group's managing director, said on Sunday that although the bank was weighing the sale of its California-based subsidiary, Union Bancorp Group, no talks have taken place.

Union said on Friday that it is a potential acquisition target, and U.S. analysts said Wells Fargo & Co. and Dai-ichi Kangyo Bank Ltd. appear to be interested buyers.

Analysis put the price tag at \$1 billion to \$1.5 billion.

Yugoslavia to Adjust Foreign Debt Payments

BELGRADE — Yugoslavia, grappling with 116 percent inflation and other acute economic problems, has said it will soon restructure payments on its foreign debt of nearly \$20 billion.

In a statement on Friday, the government said: "Yugoslavia is about to adjust its debt obligations toward foreign creditors according

to possibilities in the country's economy."

It did not say whether commercial banks had accepted such a plan. Yugoslavia in July had to delay repayments to banks of \$245 million amid a serious foreign currency shortage.

It said the government had prepared a long-term debt stabilization program which uses "other

countries' experiences in the consolidation of debt."

No specifics were mentioned. Recent debt developments have ranged from banks approving long-term delays on repayments for Argentina to Peru's unilateral tailoring of debt repayments to its export earnings. Brazil has suspended interest payments to its creditor banks, while Mexico's bank loans will increase if its economy falters.

FT Group Is Dismissing 2 For Abusing Data in Trades

Insider trading is a criminal offense in Britain, but the stock exchange has no power to bring criminal charges, which is the job of the director of public prosecutions.

FT sources said they were not certain whether this case could be described as insider dealing under the law.

The affair was disclosed in the Sunday Times and the Observer. The FT was to print a report of the event in its Monday issue.

Geoffrey D. Owen, editor of the Financial Times, said the FT did not break the story because it was considered "an internal affair."

The two admitted having used information from advance copies of an FT publication, Investors Chronicle, to trade in shares before the weekly magazine was distributed to the public, FT sources said.

The Financial Times group bans employees from trading on information they obtain as journalists.

FT executives said they contacted the insider-trading investigations team at the stock exchange several weeks ago, alerting officials to what they saw as suspicious share-price movements possibly related to material that was to appear in Investors Chronicle.

ASSEL International Offering of 240,000 Shares of Common Stock with 120,000 Warrants. Includes logos for Crédit Commercial de France, S.G. Warburg Securities, Shearson Lehman Brothers International, Laurence Prust & Co. Ltd., Wood Gundy Inc., and Kredietbank International Group.

Last Week's Markets

Table with columns for Stock Indices, Money Rates, and various market data. Includes entries for FTSE 100, DJ Index, and various interest rates.

NASDAQ National Market

OTC Consolidated trading for week ended Friday, Sept. 11

Table of NASDAQ National Market data, including columns for Stock Name, Price, and Change. Lists various companies like ABB, ACC, AEC, etc.

Table of international market data, including columns for Country, Stock Name, Price, and Change. Lists various international companies like ABB, ACC, AEC, etc.

Advertisement for Chase Corporation Finance New Zealand N.V. featuring a logo and text: 'U.S. \$75,000,000', '5 1/4% Guaranteed Subordinated Convertible Bonds Due 1997', and a list of financial institutions.

Advertisement for 'Monthly Report for the PEEL' and 'Stamps Australia' featuring a logo and text: 'Monthly Report for the PEEL', 'Stamps Australia', and 'Australia's 1913 Kangaroo stamp'.

Table of interest rates and market data, including columns for Instrument, Rate, and other financial metrics.

Text article titled 'Interest Rates More Gloom' discussing economic conditions and interest rate trends.

PERSONAL INVESTING

FOCUS

Interest Rates: More Gloom

OLD habits die hard. This became painfully obvious over the summer as central banks around the world adopted less accommodative monetary policies at the first whiff of inflationary pressure.

There's a feeling among central bankers that they may have been too accommodating, says Stephen Lewis, economist at Phillips & Drew in London. They feel they may have underestimated the threat of inflation.

To be sure, there were compelling reasons to do something. The new-found confidence in the dollar at the start of the summer, combined with a resurgence in oil prices, caught many governments by surprise.

Even the Fed's motive for the discount rate increase has been called into question. I think it had more to do with stabilizing the dollar, argues Deborah Foye Kuenster, an international investment strategist with Merrill Lynch.



Profiting From Publishers

Estimates of per share earnings increases for Europe's top publishers in 1987

Table with 2 columns: Publisher Name and Earnings Increase %.

Europe's Publishers Are on the Prowl

By Jacques Neher

Investors are betting on new alliances.

IT has been anything but a peaceful summer for European publishers. In the Netherlands, Wolters Kluwer merged with Elsevier.

Investors first began paying attention to publishing stocks a couple of years ago. It's a fashion that spread from the United States a few years back, when suddenly the information sector was considered the thing to be in.

Getting In On Private Placements

By Cynthia Catterson

INVESTORS who bought shares in the software company Aldus Corp. when it went public last June have little to complain about. The stock was originally offered at \$20 a share on the over-the-counter market and before long was trading above \$30.

COLLECTING

Stamps Are on the Rebound

By Alice Ozbun

If you put away your stamps during years of declining prices, now is the time to take a renewed look at your collection. The king of hobbies has come back full swing and is making up for lost time.



more than its face value because the government continued to produce it even after the error was discovered. Higher denomination stamps appreciate faster than the smaller denominations.

The biggest stamp markets can be found in Japan, Britain, the United States, West Germany and the Netherlands. These countries have the biggest population of collectors who lead support to the marketplace.

It's not like art where improvements are okay. A stamp that is regummed or reperforated will generally decrease by 5 to 10 percent of catalogue value, says Mr. Dunn.

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Sizing Up Britain's Expanding Ad Agencies

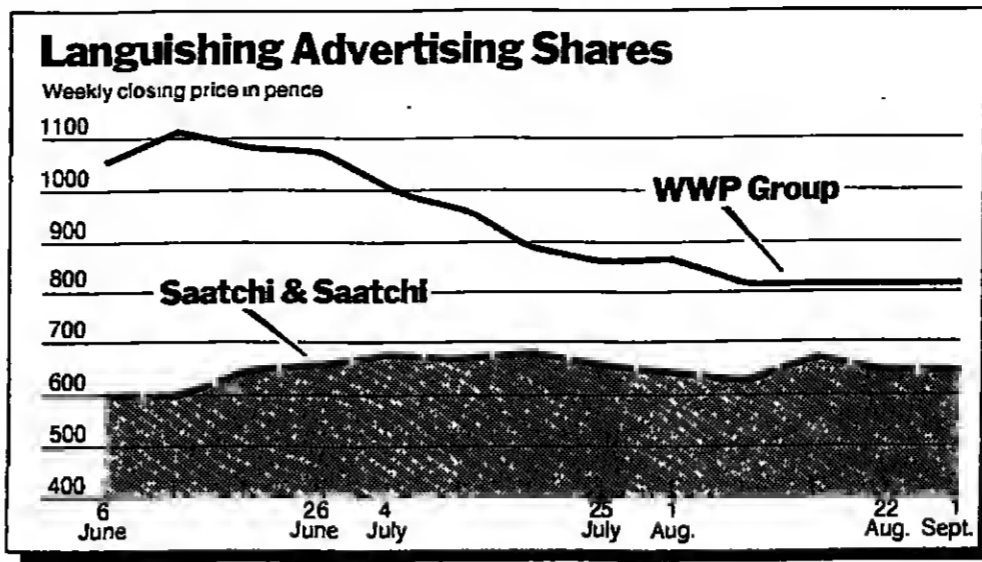
Beyond turmoil of takeovers, trends are positive.

By Marybeth Nibley

IN the advertising world, 1987 seems destined to go down as the year of the British U.K. heavyweights like Saatchi & Saatchi, WPP Group and WCRS Group...

Indeed, some executives and major clients defected from the acquired firms, which unsettled investors in Saatchi and WPP. And an ill-received rights issue last month by WPP further weighed down the sector.

At home, the generally optimistic mood of U.K. businessmen and consumers is driving demand for advertising services, reports Britain's Advertising Association...



agencies and specialty firms. Some of these services are growing much more quickly than traditional advertising, reports Mark Sheppard, an analyst at Phillips & Drew in London.

Mr. Millar aims to expand consulting revenue to about 50 percent of Saatchi's total revenue from the current 15 percent share. Two small, fast-growing firms, Cleveland Consulting and Litigation Sciences Inc., were purchased earlier this year...

Upheavals in European Publishing

Continued from page 9 Paris stockbroker Jean-Pierre Pinaton, notes that Hachette, which lost out in a bid for TFI earlier this year, still has 3 billion francs available for acquisition or startups.

will rise to 145 francs in 1987, from 121 francs in 1986. In Italy, meanwhile, investors continue to track the family dispute that flared last spring following the death of Mondadori's chairman, Mario Formenton.

agement is free to care about the business," he says. Kenneth Cox of Murray Johnstone, a fund manager in Glasgow, is very keen on Mondadori's future.

Advertisement for First Austrian Bank, featuring the bank's logo and text: 'FIRST AUSTRIAN BANK founded 1819 Die Erste österreichische Spar-Casse - Bank. Enjoy Banking Secrecy second to none at Austria's oldest Banking Institution.'

Elsewhere, the buildup to the U.S. presidential election and the Olympics in 1988 should boost ad spending in the United States and other major markets. Another factor will be a wave of product introductions, says Greg Ostroff, an analyst at Goldman Sachs in New York.

Advertisement for MONEY 87 INTERNATIONAL INVESTMENT EXHIBITION, October 21-24 1987, Hong Kong Exhibition Centre. Includes text: 'Come to the exhibition - meet the experts attend the seminars learn about the widest range of investment opportunities. All under one roof at Asia's premier money show.'

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Vertical advertisements on the right edge of the page, including 'BOUSES', 'W. Grma', 'Lure of Priv', 'A chance to invest at wholesale prices', and 'DIAMONDS YOUR BEST BUY'.

BOUSES

W Germany's High-Flying Retail Stocks

By Gail Schares

CONSUMERS in West Germany are on a buying binge, a trend that means sharply higher prices for retail consumer-goods shares. Though some issues are already overpriced, selected shares will likely outperform the market in the next six to 12 months, analysts say.

"The retail stocks are very expensive, but this is the only area where earnings are still rising," says Jens Ehrhardt, publisher of Munich-based market newsletter Finanzwoche (Finanz Week).

The prospect of wage increases and a 14.5 billion Deutsche mark (DM) tax cut next year is behind the consumer spree, says Stephan Ober, a fund manager at Baring Fund Managers, London. "The consumer and retail sector has the sound fundamentals" in the market, he says.

Private consumption soared 2.3 percent in the second quarter, placing exports as the economy's driving force, according to government figures. Consumer spending in 1987 is expected to rise by a comfortable 3.5 percent. Forecasts say the spending should continue into 1988, when tax cuts take effect.

The weak dollar, which has battered West German industrial exporters, is another argument in favor of these domestically oriented shares. "Retail is the only sector in the German market which is almost totally sheltered from exchange rate fluctuations," notes Andrew Thomson, analyst with Kleinwort Greaveson in London.

A beneficiary of such thinking has Hessel Holdings, whose share has risen from 520 DM in June to nearly 700 DM lately. Starting with a group of small confectionery shops in 1968, Hessel now operates 16 chains with 825 retail outlets. The outlets include a perfumery, discount drugstore, book and magazine shops, sports stores and jewelry stores.

Management puts strong emphasis on location, service and the appearance of its stores, says followers of the company, a strategy translating into hefty, durable profit margins. Hessel "sticks to its concept very successfully," says Joseph Rooney, an analyst with James Capel & Co. in London. "It's a superior stock people can put away for any length of time."

Hessel's lofty share price prompts even some admirers to advise waiting for a correction before buying. But other observers say the stock is still attractive, given the momentum of consumer spending and the company's expansion plans. The Hagen-based company has announced plans for further acquisitions in West Germany and expansion into France and Italy.

Analysts expect a steady 12 to 15 percent improvement in Hessel's earnings in 1987 and in 1988. The company has



Shoppers outside Korstadt in Munich.

said it is likely to raise its dividend again in 1987, following a boost to 9 DM a share in 1986.

Another beneficiary of the consumer boom is Hugo Boss, a menswear manufacturer that is booming back from the announcement earlier this year of lower-than-expected 1986 earnings. Some followers of the company have concluded that last year's earnings were somewhat understated because Boss took advantage of new accounting rules. Under European Commission regulations that took effect last year, Boss was able to tack away hidden reserves through changes in the method of valuing its inventory.

Boss's top management has said repeatedly since news of the disappointing results that earnings strength has not diminished. "We fully used the opportunities presented to us by the new accounting methods," says Konrad Jnd, managing director. "We were one of the first companies to

use the new method, and the market reacted a little nervously."

Boss's sales jumped 39.6 percent in 1986 to 430 million DM, while earnings per share rose only 12 percent. But one West German bank analyst ventured that a look at unadjusted, internal figures would show that profits are still growing faster than sales.

Other analysts are circumspect. "I'm not so sure it's a long-term growth issue," says Mr. Ehrhardt. "Its success depends on how well they anticipate fashion trends."

Boss is not without its problems. Several years of rapid growth brought the company to the point of saturation in the West German market, threatening its exclusive name. In June, it announced plans to cut 60 retail outlets, about 8 percent of its distribution network in West Germany.

The challenge for Boss now is penetrating foreign markets to maintain growth. Although the company is moving aggressively into other European countries, the United States and Canada, analysts said the transition to an international fashion house will be no easy task.

Even Mr. Jnd cautions that the company's growth is unlikely to continue at over 30 percent a year. "Once you're over 500 million DM in sales, 30 percent growth is too fast for the organization to handle carefully," he said. "We would be happy to see growth slow a little."

From a low of 1,610 DM earlier this year, Boss's stock has bounced back to about 2,100 DM, but the price-earnings ratio of 22 is still lower than the average multiple of 25 to 30 for the retail sector. The stock is thinly traded and somewhat volatile.

"Fundamentally, Boss's stock is in order. It's a good buy between 1,900 DM and 2,000 DM per share," says Walter Heinemann, an analyst with Bankhaus Merck Finck & Co.

West Germany's big department stores, Kaufhof and Karstadt, get mixed reviews. Both are benefiting from a decade of restructuring and diversification after losing ground to discount houses and specialty chains during the 1970s. Their turnaround potential combined with the boom in consumer spending bodes well, but their stock prices are already up sharply.

"The biggest expectations for these stocks have already been fulfilled," says Iris Ullmann, an analyst with Oppenheim Finance in Cologne. The shares trade at about 30 times earnings.

Some analysts, though, note that Kaufhof and Karstadt have hidden value in their real estate holdings. Kaufhof owns about 90 percent of its buildings, most of which are located in prime downtown properties, while Kaufhof owns about 63 percent.

A fast-growing alternative to the department stores is discounter AVA. Its stores sell building, hobby and garden supplies, and shoes, electronic goods and health care products. It also operates supermarkets.

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*Compound annual rate at 7th September 1987

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Lure of Private Placements

A chance to invest at wholesale prices.

Continued from page 9

tored to take advantage of the write-off, like those associated with real estate investments. But the 1986 tax reform changed that.

"Private offerings must now be economically viable rather than tax driven," says Gerry Runayne, vice president and senior banker at Morgan Guaranty Trust Co.'s private banking division. "Now the organizations' putting these deals together have to be more innovative and aim toward real return."

The emphasis on income has also meant that more offerings are finding their way abroad, with foreign banks and money managers steering deals to selected clients.

A good example of the new trend was a partnership put together last year by E.F. Hutton to buy 10 hotels from the Ramada Inn franchise. Hutton borrowed \$54 million and raised \$37 million in capital from investors who each put up about \$60,000 per unit, according to Tim Clarke, an associate in the firm's direct-investments division.

The private partnership, he says, provides enough capital to cover the interest expenses for the loan and generates income for investors. Investors have already received a quarterly distribution of \$1,500 since the deal closed in March, he says, which would be equal to a 10 percent return for the year.

In addition, he says, depreciation allowances for the properties lowers the taxes investors must pay on the partnership income. Mr. Clarke says the partnership will attempt to become public in about four years, at which time, investors should be able to sell their shares without liquidating the entire partnership.

Another example are so-called marketing partnerships like one organized by Daleco Research & Technology, a venture capital firm. Daleco has raised more than \$2 million in private marketing partnership to help a small drug

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THE TRADER

Buying High and Selling Low Over-the-Counter

By John C. Boland

An investor who buys an over-the-counter stock, particularly an obscure, thinly traded one, faces longer odds of making a profit than a buyer of stocks listed on an exchange.

The difference comes from the different ways the two markets operate. In OTC trading, unlike that on exchanges, an individual can virtually never buy at the low price of a stock's bid-asked spread, or sell at the higher price.

The price spread can be substantial, and costly. On an exchange, whether one as prominent as that of New York or as small as that of Boston, an individual can become the high bidder or low seller by stepping between the price spread.

If a thinly traded issue is quoted at \$5 to \$5.50, a prospective buyer can bid \$5.125 and become first in line to acquire any stock that might be sold at that price or lower.

Spreads Sept. 3, 1987

Table listing spreads for various companies: MCI, Apple, Ampal-American Israel Corp., Buckeye, Comera, For Better Living, Horizon Bancorp, Sage-Allen & Co.

unltd to anyone willing to buy at that price or higher.

In the over-the-counter market, however, the dealers who make a market in the stock always stand first in line. An individual buyer must pay a dealer's asking price. A seller must settle for a dealer's bid.

This is not necessarily a problem with such actively traded issues as Apple Computer or MCI Communications, where the spread between bid and asked prices may be as narrow as 25 cents or even 12.5 cents.

But in thinner issues, with fewer market makers competing for business, spreads can run 10 percent to 20 percent of the stock price, or more.

For a small investor, taking a fancy to a stock with such a spread can be expensive.

The over-the-counter market is a terrible place for the individual to trade, says Binkley Shorts, portfolio manager for the Over-the-Counter Securities Fund, of Fort Washington, Pennsylvania. "He's always paying the spread off to a clerk instead of a trader. Those orders just pile up. If the

\$10.50," says a broker who invests in thin OTC issues. "If a guy's brokerage firm makes a market in it, he might — that's right — be able to buy at \$10.50 net, including commission. But at most firms, he pays the ludicrous spread, \$10.50, plus a half-point for commission; so \$11 altogether. If he goes to sell, he gets \$8.50 after commission."

One round trip of buying and selling costs \$2.50 a share, the broker notes, adding, "What's a \$2.60 or \$11? The stock's got to go up almost 25 percent for him to be even."

One broker contends that part of the problem is that large wire houses are indifferent to their clients' interests. In practice, a dealer's asking quote may not be the lowest price at which he will sell stock.

If shares are quoted at \$8.75 to \$10.75, an investor might try to split the difference and offer a market maker \$9.75.

But whether that order, once given to the broker and entered into the firm's computer, ever reaches the market maker is questionable, according to this account executive. "The computer determines whether the order is at the market. If it isn't, it gets shuffled off to a clerk instead of a trader. Those orders just pile up. If the

traders have time, they'll get back to it. If they don't, they won't."

In many instances, he says, "they don't even make the call" to a dealer, offering a lower price on the client's behalf.

The situation is not necessarily better with firms that make markets themselves in many OTC issues. "They will seldom trade it between the bid and asked," this broker says. "That's because the trading desks are operated as profit centers."

OTC spreads appear to be a problem mainly for small investors. Larger players, such as money managers and mutual funds, generally prefer the dealer market, where long-term relationships can be established between institutional investors and market makers.

INDEED, the institutions often employ market makers as agents to acquire stock positions for them, or ask brokers to become market makers to accumulate a stock they like. The arrangement typically nets the dealer 25 cents a share over his cost of acquiring stock. "One advantage I have is that I have a relationship with these people," says James P. Craig, president of the Janus Venture Fund, in Denver. "I work with them year in and year out. They aren't going to

try to extract a point out of me."

But for the all investor, Mr. Craig says, "it may be a different ball game."

The bid-ask spread, he says, "is just a reflection of liquidity in the marketplace. Few market makers are attracted to a stock that trades a couple of hundred shares a day. With wide competition, the handful of dealers quoting such a stock will bid wide and ask tight. The spread does anything they want," Mr. Craig says.

And Luke T. Smith, a discount broker in Towson, Md., observed, "Really, it's the game. When there aren't market makers, it sometimes seems there is a conspiracy to keep it nice and fat spread."

The National Association of Securities Dealers, which oversees OTC trading, argues that multiple market makers put more clout under a stock's price than a change specialist might provide. But traders say that over-the-counter dealers are not quick to react to market changes as fast as the specialists in market makers' stock. Indeed, the dealers lack the specialist's mandate to intervene to stabilize the market. "When a stock gets into trouble, they're gone," a wire house broker says.

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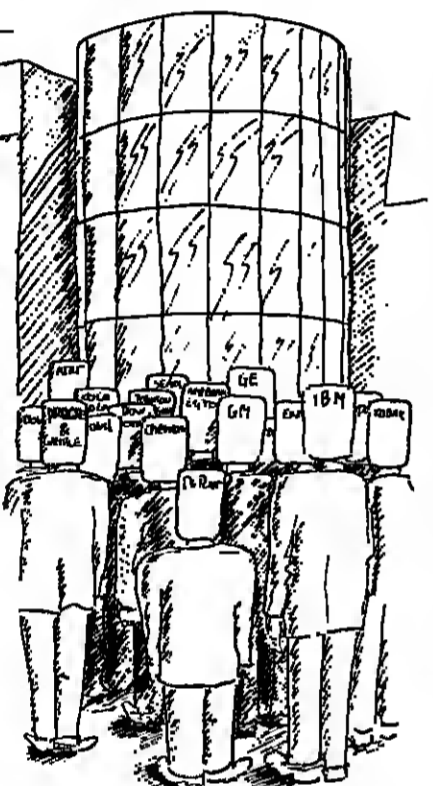
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STRATEGY

Tokyo: Strides by Exporters

JAPAN'S blue chip exporters have generally been snubbed as the yen continued its march upward in the last two years. At the most, investors nibbled at these stocks only when it appeared they had been beaten down to the point of being bargains.

Lately, though, there is talk that some exporters, after incurring earnings setbacks of 30 to 70 percent over the last year or so, may turn in surprisingly strong profits next year. Economists note that the exporters had made big strides in productivity, cost control and relocation of manufacturing plants to other, lower wage Asian nations.

A recent study concluded that the break-even point for Japanese auto companies would be down to 122 yen to the dollar by the end of the year, Merrill Lynch reports. Few analysts would argue, though, that better profit margins alone ensure a strong showing by the export sector. Other crucial factors are U.S. trade policy and the pace of global economic growth.

Last week's U.S. trade figures represented a test of sentiment for this sector. Because the \$16.5 billion deficit was roughly within expectations, fears that Congress would adopt drastic trade measures against Japan subsided a bit. "I don't see any major shakeup in the U.S. political situation toward Japan," says Jeffrey Burns of Phillips & Drew in New York. "The trade situation is going to remain down on the list of priorities."

Mr. Burns says investors will likely accumulate blue chip stocks, including selected blue chips, on market weakness over the next few months.

Ironically, some big exporters are being touted in Tokyo as beneficiaries of expected improvements in Japanese domestic spending, Mr. Burns says. This view focuses particularly on consumer electronics stocks, such as companies like Matsushita whose dependence on exports has been cut by nearly half.

Another theme is coming weeks, says Mr. Burns, will be companies with ties to NTT, the telecommunications giant whose

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in July.

Table with columns for GAINERS and LOSERS, listing stock names, percent gain/loss, and prices for August 31.

Over the Counter:

Table listing over-the-counter stocks like Franklin Computer, Viratek Inc., IGA Inc., etc.

London Stock Exchange:

Table listing London Stock Exchange stocks like Racal Electronics, British Printing, etc.

Tokyo Stock Exchange:

Table listing Tokyo Stock Exchange stocks like Mitsubishi Petrochem, Kawasaki Steel, etc.

second sale of stock is coming up in November. Two companies that are attracting interest are Kokusai Electric and Hirose Electric, he says.

Overall, investors will be avoiding any company that shows evidence of being engaged heavily in

Zaireck, the term used to describe corporate efforts to bolster the bottom line by playing the market. Investors were badly jolted by Taisei Chemical's recent disclosure of steep losses from futures trading. The market has already dis-

counted the possibility that more companies will disclose such losses, says Mr. Burns. But substantial losses by major firms "could put the market into a strong bearish downturn," he says.

William McBride

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PRIZE BREAKDOWN (Actual Sample of One Draw)

Table showing prize breakdown for Lotto 6/49 with columns for prizes, number of prizes, and prize value.

* All prizes quoted in Canadian dollars.

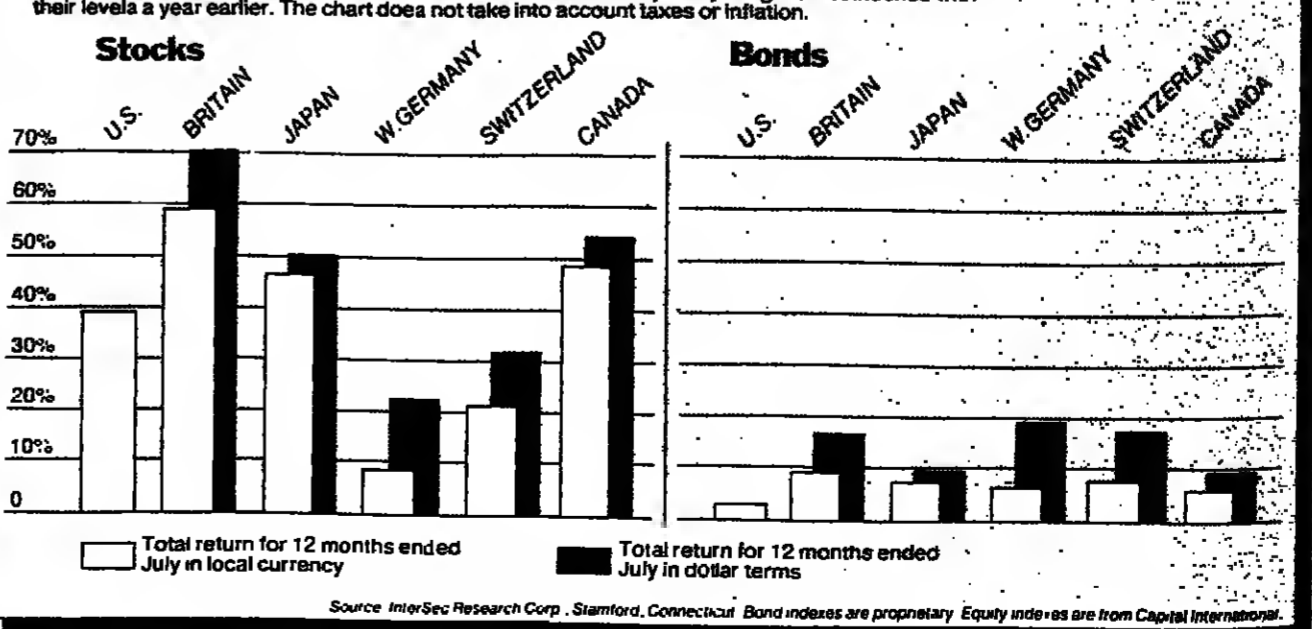
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Total Return for 12 Months

Total return measures both the changes in the prices of securities and the income they provide either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



Source: InterSec Research Corp., Stamford, Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

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Large vertical advertisement on the right side of the page, partially cut off, mentioning Eurobonds and U.S. Securities.

New International Bond Issues

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

BUSINESS ROUNDUP

Westmark to Acquire Tracor for \$694 Million

By Thomas C. Hayes
New York Times Service
DALLAS — Westmark Systems Inc., a technology holding company headed by Bobby R. Inman, has agreed to acquire Tracor Inc., a military-electronics company, for \$694 million in cash.



Bobby R. Inman

The company had fallen from favor among investors after write-offs in 1985 and 1986, the result of cost overruns on Pentagon contracts. Tracor had earnings of \$18.3 million last year, a little more than half of the \$33.2 million it earned in 1984, its best year.

Kodak Rewards Shareholders

NEW YORK — Eastman Kodak Co., riding the crest of its record earnings and strong sales gains last quarter, has declared a 3-for-2 stock split and raised its quarterly dividend by 7 percent.

375,000 Units at \$8.00 (1 share + 1 warrant)

Mr. Inman, who resigned from the CIA in 1982 to become the first president of Microelectronics Computer & Technology Corp., a research consortium in Austin, left that post last January for Westmark.

EPITOPE INC.

The above shares have been placed privately with European institutional clients of American Equities Overseas Inc.

San Pellegrino Takes Coca Cola to Court

MILAN — The soft drinks producer San Pellegrino SpA says it has begun legal action in Italy against The Coca-Cola Export Corp., a unit of Coca-Cola Co., and 27 Italian bottlers, alleging unfair competition.

Maxwell Said to Target Guinness Peat

LONDON — Robert Maxwell, chairman of British Printing & Communication Corp., has joined the battle for control of British financial services group Guinness Peat Group PLC, according to a newspaper report Sunday.

EUROBONDS: Prices Fall on U.S. Trade Data, but Dealers' Nervousness Prompts Buying

(Continued from first finance page)
hundreds of a percentage point, over comparable U.S. Treasury notes.

U.S. Securities Wizards Seek Way to Turn Latin Debt to Gold

By Leslie Wayne
New York Times Service
NEW YORK — Wall Street's investment bankers are in a headlong race to find gold in the \$400 billion Latin American bank debt.

Table: Latin Debt and Its Price in the Market. Columns: Country, Government debt owed to U.S. banks, Price of debt in the secondary market.

banks were willing to unload their loans, which have declined in value as the Latin economies have continued to suffer.

Advertisement for Capital Strategy Fund Limited. Includes a portrait of a man and text: "Much of my time is spent on the move... that makes portfolio management a real problem."

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Advertisement for U.S. Consumer Rates. Table with columns: Rate, Index, and Source. Includes text: "This approach is a variation on the securitization approach being explored by many other investment banks."

PORTUGAL: Spending Fuels Boom, Inflation Fears

(Continued from first finance page) 5 percent, and food consumption, up 11 percent. The August unemployment rate was 8.5 percent, down from 10 percent in July. The upward swing in economic indicators has not eliminated fears about the economy. Some economists, politicians and government officials fear the rapid growth might fuel inflation. And foreign debt remains at \$16 billion, or 60 percent of gross domestic product, the total output of goods and services, minus income from operations abroad. The government is worried enough to try to restrain consumption by tightening restrictions on credit purchases, and there is also talk that interest rates should be allowed to rise. One American analyst said that the government had a long list of do's and don'ts to consider before lasting changes are realized. "The public sector is a real drain on the economy and must be cut, and the government wants to do it by privatizing," he said. "That's easier said than done."

Many critics say that because the economy had been in such bad shape, there was only one way to go — up.

The international climate is not going to be favorable; oil prices will rise," he said. "The government wants to reform labor laws and revive an agriculture sector that is in very poor shape, but that would lead to unemployment when the prime minister has said he would lower it. There is a real challenge ahead for the government." Others, including opposition leaders, say that because the economy had been in such bad shape, there was only one way to go — up. They say the improvement is based largely on external factors, such as a large subsidy from the European Community, and ignores structural problems and weak areas such as agriculture. However, Prime Minister Ant6nio Cavaco Silva, an economist and supporter of free-market principles, said he was pleased by the

EC Aide Says U.S. Is Far From Solving Trade Deficit Problem

Sir Roy Denman, the head of the European Commission delegation to the United States, is considered to be one of the world's foremost experts on trade. In an interview with the International Herald Tribune, he comments on the record monthly trade deficit reported by the United States on Friday. Q: Why is the U.S. trade deficit still setting records after the steep fall in the dollar? A: The fall in the dollar has helped the trade balance in real or nominal terms, but not as much or as quickly as expected. Americans appear to have developed a taste for foreign goods and many foreign exporters have shaved their margins to maintain their market share. So the trade deficit in 1987 will probably continue to be substantial. Q: Is there an end in sight? A: President Coolidge was once asked whether it would ever stop raining. "Al-ways has," he replied. Q: What about the deficit in manufac-

tured goods? Are there any encouraging signs? A: Not many. Too much reliance should not be placed on short-term figures. But so far this year imports of manufactured goods have remained consistently high, with an upward trend. Exports, after a strong first quarter, have leveled off. Q: Is there any sign of hope from the declining Japanese surplus? A: One should not be too jubilant over short-term figures. Japanese figures for August show a fall in exports to the U.S. of 1.5 percent, compared with a year earlier, while imports increased by 28 percent. U.S. July figures show no change in imports from Japan compared with June. There is no conclusive evidence as yet of a continuing decline in the Japanese surplus. Q: What should the United States do? A: There is a general consensus in Washington, as Clayton Yeutter, the U.S. trade representative, and others have often said, that one major factor — some would say the major factor — is the need to reduce the budget deficit. Q: Is all this welcome or unwelcome news for the partners of the United States, who want to sell to the American market? A: Increased exports to the American market are always welcome to the United States' trading partners. But looked at politically, the fact that the turnaround in the U.S. trade balance is taking longer than expected cannot be good news either for the United States or its partners because it encourages protectionist sentiment. Q: Is it not then in the interest of U.S. trading partners to expand their own economies to attract more American exports? A: As far as the European Community is concerned, we think we are a pretty open market. In 1986, the 12-member European Community was the biggest trading partner of the United States, taking \$53 billion of U.S. exports, compared with \$45 billion to Canada and \$27 billion to Japan. Nor do we think that the community is a stumbling block in the growth league. What we



Sir Roy Denman are aiming at in the community is stable and sustained growth rather than a "quick fix" in terms of artificial stimulation of demand with unhealthy side effects.

EMS: Ministers Strengthen Policy on Central Bank Support for System's Weaker Currencies

(Continued from Page 1) been limited because the central bank is allowed to hold more than small amounts of another's currency. This weekend's accord foresees that in the future a central bank with a weak currency will in principle be able to borrow sizeable though limited amounts of a strong currency — such as the West German Deutsche mark — from the central bank that issues it. The central banker from a weak-currency country would then sell the strong currency to limit its rise against his domestic unit before the EMS intervention point. The agreement to make such loans is hedged around with conditions to ensure that the Bundesbank, West Germany's central bank, does not suffer any significant loss of control over the amount of marks in circulation. A large increase in sales of marks would increase the domestic money supply and tend to cause higher inflation. The philosophy behind such preemptive intervention, participants said, is that it is cheaper than waiting until speculation against a currency has gathered momentum. Kent Otto Pöhl, the Bundesbank president, stressed that there would be no obligation for central banks to make such loans to each other. Yet some officials were optimistic that the Germans would take a

generous view of the accords behind the scenes. "There's every indication the Germans want to be quite flexible," said one high-ranking EC monetary source. That could mean, for example, more frequent adjustments of short-term interest rates in West Germany to influence the position of the mark — traditionally the strongest EMS currency — against others in the system. A rate reduction, for instance, would tend to weaken the German currency. Jacques Delors, president of the EC Commission, said he saw greater coordination of interest rate policies as an important element in maintaining exchange rate stability. The aim is to narrow differences in economic performances that give

Mutual Funds

Figures as of close of trading Friday Sept. 11

Table listing mutual fund performance metrics including fund names, assets, and returns.

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WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

After a weak start, the Amsterdam Stock Exchange made a cautious recovery last week. Investors seemed to have grown accustomed to the low dollar and a slight increase in interest rates. The ANP/CBS general index, which had closed at 309.2 the previous week, closed at 313.5 on Friday. Kempen & Co., stockbrokers in Amsterdam, said the uptrend in the second half of the week had a very weak basis. Volume for the week totaled 6.14 billion guilders, up from the previous week's 5.34 billion.

Frankfurt

The Frankfurt stock market overcame a slow start last week, and the Commerzbank index closed 13 points higher for the week, at 1,974.2. The dollar's move back above the 1.80 Deutsche mark level for a time and the hope for a narrowing in the U.S. trade deficit in July, a hope that was dashed on Friday, helped support the market. The week's volume was 16.45 billion DM on the eight West German stock exchanges, against 18.62 billion the previous week. Auto stocks were irregular, with BMW losing 17 to finish at 753 DM. Daimler, which announced on Wednesday it will acquire a holding in Matra, up 29 to 1,100; and VW up 5 to 399.50. In pharmaceuticals, Schering rose 9 to 609 DM, while metals company Mannesmann added 7.50 to close at 174.

Hong Kong

The Hong Kong Stock Exchange swapped to a new high last week after bargain hunting ended a three-day selling spree. The Hang Seng Index beat its week-old record by 6.02 points, finishing at 3,660.50. Average daily turnover was 2.25 billion Hong Kong dollars. Profit-taking rocked the market Monday through Wednesday, but after the Hang Seng dipped below the 3,600 barrier, dealers came out in force looking for bargains. The bull run failed to move blue chips forward. Cathay Pacific, the largest stock, fell 1.25 to 220.00; China Light lost 70 cents, to 8.20.

Paris

The Paris Bourse moved a bit lower last week, particularly because of the rise in U.S. interest rates, but dealers said share prices resisted well. The CAC index finished the week at 431.9, compared with 435.9 the previous Friday. Market analysts said that despite the week's small drop, the bourse seemed rather optimistic, as prices

London

Shares and gilts in London were unsettled last week by a strong wave of rights issues in Britain and by fears that U.S. interest rates might have to be lifted again. Equities, however, made a partial recovery toward the end of the week. Gilts received little support from steady inflation figures and from the pound's strength. The release on Friday of U.S. trade figures for July, showing another record deficit, dampened sentiment, but Wall Street's robust reaction reassured investors. The Financial Times industrial share index closed down 18.3 points on the week, at 1,763.8. Life insurance company Equity & Law was boosted by a takeover bid from France's Compagnie du Midi, although the offer was quickly rejected, as was a previous bid from a New Zealand financier, Ron Brierley.

Milan

Milan stocks fell back an average 0.71 percent last week to bring total losses since the start of the year to 16.6 percent. The Comit Index closed at 603.12, after the previous Friday's 607.72, while the Milan Stock Exchange Index lost 6 points, to finish at 834. Bourse authorities provisionally estimated trading value to have declined by about a fifth over the previous week, and said volume was also sharply down. Interest focused on Montedison and the conditions it would announce concerning its takeover of the pharmaceutical group Farmila Carlo Erba. Montedison lost 1.72 percent over the week.

Stocks

Auto stocks were irregular, with BMW losing 17 to finish at 753 DM. Daimler, which announced on Wednesday it will acquire a holding in Matra, up 29 to 1,100; and VW up 5 to 399.50. In pharmaceuticals, Schering rose 9 to 609 DM, while metals company Mannesmann added 7.50 to close at 174.

Singapore

Share prices firmed on a quiet Singapore stock market last week. The Straits Times Industrial Index recovered 53.03 points to 1,466.11, while the SFS all-share index added 11.02 points to 391.07. The market opened the week higher on bargain hunting and short covering. Gains were made across a broad front, recovering some of the losses suffered in a recent sharp correction. Trading volume, however, fell sharply to 7.6 million units as investors monitored a new immediate settlement and delivery system introduced Monday.

Zurich

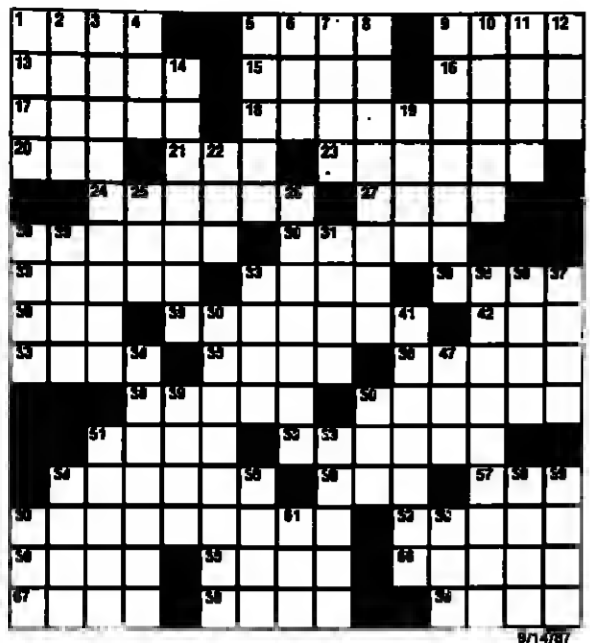
The Zurich stock market was irregular last week. The Credit Suisse index finished the week higher at 603.5, against 599.4 the previous week, while the Swiss Bank Corp. index was down to 696.4 from 702.2 the previous Friday. Analysts said the trend during the next few days would again depend primarily on what happens to the dollar. Bank shares lost ground, with Union Bank of Switzerland dropping 95 to 4,830. Financial companies were irregular, with Motor Columbus up 75 to 1,945, but Electrowatt off 20 to 1,125. The same irregularity was noted in insurance stocks, with Compagnie de Reassurance off 400 to 17,900, but Zurich Insurance Co. up 75 to 1,275, and in industrials, where Saurer added 79 to 430, but Fischer dropped 75 to 1,600.

Tokyo

Share prices plummeted on the Tokyo Stock Exchange in lackluster trading last week. The 225-issue Nikkei Stock Average, which lost 203.93 yen the previous week, was down 915.76 yen to close Friday at 24,828.27. Average daily turnover was 560 million shares, compared with the previous week's 1.06 billion. Daily turnover by value averaged 647.7 billion yen, after 1.01 trillion yen the previous week. Despite the hefty losses, many brokers and analysts said the market appeared ready to resume its upward movement before the new business year begins in October.

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20 Flub
21 Do a sound job
23 Cheapen
24 Orchestral components
27 Horror-movie attraction
28 Ferber's "Ice
32 Part of a cycle
33 Soapbox component
34 Day worker, for short
38 A sib
39 Needing literary works
42 Chit
43 "From Here to Eternity" setting
45 Greenback
48 Infidel
49 Danish coin
50 Like a Titan
51 Legume of India
52 Baby grand's cousin
54 Rock salt
56 Wayfarer's stop
57 Apparel for a young diner
60 Part of Arnie's arsenal
62 Duck
64 Schooner's spine

DOWN
65 Adjective for a cad
66 Raises ire
67 Monty Python's Eric
68 Administers the coup de grace
69 Surveyor's layout
1 Nigerian people
22 Wasatch
23 Race native
25 Rugs together
28 Money in Monterey
29 Silly solo
31 Listen!
33 Take aback
35 Bad thing to be behind
36 Castle defense
37 Like a runt
40 Fruitless
41 Angler's gadget
44 Godfrey played it
47 Grow wizened
48 "Don't — on my parade!"
50 Sixty secs.
51 What the chair holds
53 Confers
54 Pay attention
59 Inland, to a
58 Notion
59 Defeat
60 Do some schussing
61 Antislavian
63 Nabob

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"That new baby across the street doesn't take a bottle. He eats under the bra."

JUMBLE. THAT SCRAMBLED WORD GAME by Herd Arnold and Bob Lee. Includes a grid and instructions.

Print answer here: OOOOOO (Answers tomorrow)
Friday's Jumble: CRAFT DADDY TARTAR AFFIRM
Answer: What the letter C does when you're having trouble losing weight—MAKES FAT A FACT

SCOREBOARD

Tennis Major League Baseball

U.S. Open Results
MEN
Singles
Maris Vilander (3), Sweden, def. Stefan Edberg (2), Sweden, 4-3, 4-3, 4-3, 4-3
Lyle Connors (1), Czechoslovakia, def. Jimmy Connors (1), U.S., 4-6, 6-2, 6-2

Friday's and Saturday's Line Scores
KANSAS CITY
Oakland 100 100 0 1 12 1
Boston 100 100 0 1 12 1
Detroit 100 100 0 1 12 1

European Soccer
ENGLISH FIRST DIVISION
Liverpool 2, Oxford 0
Manchester United 2, Newcastle 2
Sheff Wednes 2, Sheff Wednes 2

Football
U.S. College Results
Alabama 24, Penn State 13
Boston College 28, Temple 17
Cincinnati 24, Miami 17

Transition
FOOTBALL
National Football League
DENVER—Signed John Elway, quarterback, to a series of six one-year contracts beginning in 1988.

WEATHER table with columns for Europe, Asia, Africa, Latin America, North America, Middle East, Oceania.

MONDAY'S FORECAST — CHANNEL: Rough, FRANKFURT: Overcast, Temp. 21 (70) — 17 (63); LONDON: Showers, Temp. 17 — 12 (63 — 54); PARIS: Partly cloudy, Temp. 19 — 14 (66 — 57); ROME: Partly cloudy, Temp. 22 — 17 (72 — 63); MADRID: Partly cloudy, Temp. 20 — 14 (68 — 57); AMSTERDAM: Partly cloudy, Temp. 19 — 14 (66 — 57); BERLIN: Partly cloudy, Temp. 19 — 14 (66 — 57); TOKYO: Partly cloudy, Temp. 22 — 17 (72 — 63); SYDNEY: Partly cloudy, Temp. 22 — 17 (72 — 63).

SPORTS

Michigan Turnovers Help Irish Win; Alabama Ends Penn State's Streak

NEW YORK — Notre Dame upset Michigan in U.S. college football on Saturday, and Alabama ended Penn State's winning streak at 13 games. Notre Dame used seven turnovers to hand Michigan just its second opening loss in Bo Schembechler's 19 years as the Wolverines' coach.

U.S. COLLEGE FOOTBALL
Notre Dame 26, Michigan 7: In Ann Arbor, Michigan, the Irish recovered three fumbles — two lost by Jamie Morris, Michigan's top runner — and intercepted four passes by Demetrius Brown and Michael Taylor.

U.S. COLLEGE FOOTBALL
Alabama 42, UCLA 33: In Lincoln, Nebraska, Steve Taylor's five touchdowns passes set a Nebraska record and tied a 44-year-old Big Eight mark set by Kansas' Ralph Miller against Washington in 1938.

PEANUTS
A cartoon strip featuring a boy talking to a girl on a telephone.
FOR ME?
THANKS FOR WAITING.

BLONDIE
A cartoon strip featuring Blondie and Dagwood.
I TOLD YOU TO FILE THAT CONTRACT.
NO ONE HERE LISTENS TO ME!
SORRY BOSS, I DIDN'T HEAR YOU.

WIZARD of ID
A cartoon strip featuring a wizard.
GIVE ME A HAND WITH THIS LAUNDRY BASKET, WIZ.
WOMEN IN AFRICA CARRY TWICE AS MUCH ON THEIR HEADS.

FLORIDA STATE 44, E. CAROLINA 3: In Greenville, North Carolina, reserve running back Summie Smith rushed for 244 yards, the second-highest total in school history.

BEETLE BAILEY
A cartoon strip featuring Beetle Bailey.
BUT WE'VE CLEANED THE DRILL FIELD FIVE TIMES ALREADY!
AND YOU'LL KEEP CLEANING IT TILL THE GENERAL SAYS IT'S CLEAN!

ANDY CAPP
A cartoon strip featuring Andy Capp.
MAGIC—HE'S MORE TIME WITH HIS BESSIE!

REX MORGAN
A cartoon strip featuring Rex Morgan.
WHILE PAUL WINGATE IS BEING EXAMINED BY DR. MORGAN, CINDI KANE EXPRESSES HER CONCERN TO JUNE GALE.

Deafers on Return

Deafers on Return
A vertical column of short news items.

Win Canada Cup Opener in Ottawa
A vertical column of short news items.

Win Canada Cup Opener in Ottawa (continued)
A vertical column of short news items.

SPORTS

Navratilova Routs Graf in U.S. Open Final

By Roy S. Johnson
New York Times Service
NEW YORK — Bit by bit, Steffi Graf's once seemingly impenetrable armor was chipped away...

Like Shriver and McNeil, Navratilova sought to exploit Graf's weakness... The match was 47 minutes old when Navratilova closed out the first set with a service ace...

Navratilova then took command of the second set early, breaking Graf in the second game for a 2-0 lead... Graf's mistakes were compounded by Navratilova's near-perfect evening...

Navratilova needed three match points in the next game as Graf floundered off two with an off-balance forehand winner...

Despite her defeat to Navratilova both here and in the Wimbledon final, Graf didn't appear ready to yield her top ranking...



Martina Navratilova had a trophy and a smile after her victory over Steffi Graf.

Steelers Defeat 49ers on Return of Fumble Recovery

PITTSBURGH — Rookie cornerback Peyton Hall put Pittsburgh in the lead Sunday with a 50-yard fumble recovery return...

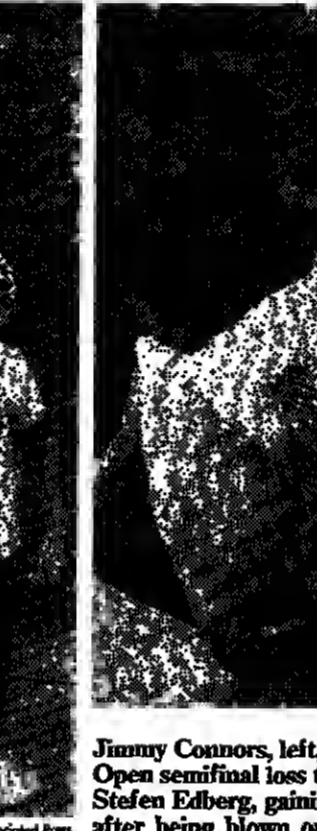
Palmer returned a kick 95 yards late in the fourth quarter to give the Chiefs the victory over San Diego... The Tampa Bay offense, which ranked last among the NFL's 28 teams in 1986...

Hot Wilander, Cool Lendl Gain Men's Final

By John Feinstein
Washington Post Service
NEW YORK — Mats Wilander did two things Saturday for the first time in his tennis career...



Jimmy Connors, left, had the consolation of his son, Bret, as he departed his U.S. Open semifinal loss to Ivan Lendl...



Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova...

Sports Briefs

Soviets Win Canada Cup Opener in Overtime, After Freak Goal Ties Score
MONTREAL (AP) — Aleksandr Semak's 30-foot shot at 5:33 of overtime gave the Soviet Union a 6-5 victory over Team Canada...

4 Home Runs By Jays Send Yanks Reeling

By Staff Writer
TORONTO — Ernie Whitt hit two home runs and drove in six runs Saturday, when the Toronto Blue Jays hit three consecutive homers in the eighth inning to defeat the New York Yankees, 13-1...

Mets Are First Down, And Then About Out

Darryl Strawberry, right, got a "low five" from Keith Hernandez after homering in the first inning of the series-opener against the Cardinals...

U.S. OPEN TENNIS OFFICIAL TIMER SEIKO

Way Wins European Open; Randolph Leads in U.S.
WALTON HEATH, England (Combined Dispatches) — Paul Way of England, who hadn't had a victory in two years, shot five-under-par 67 Sunday to win the European Open golf tournament...

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LANGUAGE

Who Is This 'We,' Anyway?

An Oncle d'Amérique Goes Home

PARIS — The French need an American in Paris they can consider their own...



Pierre Salinger at his Paris desk.

MARY BLUME later became the innocent abroad. Since 1968 France's favorite American has been Pierre Salinger...

Salinger still wears a PT-109 tie clip but on his wall hang photographs of himself with Margaret Thatcher and Nancy Reagan...

Salinger's mother was French and his grandfather was a member of the French parliament. Born in San Francisco, he worked at the San Francisco Chronicle from 1946 to 1955...

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By Roy Blount Jr. NEW YORK — The most venerated, loaded and crucial word of the United States Constitution is a two-letter word that I used too blithely, once, in an argument with a friend of mine...

James Madison's Virginia Plan pretty much set the Convention's agenda, but apparently more so the Constitution's language was lifted from principles set down by Charles Pinckney of South Carolina...

LET'S let the Preamble stand. It is certainly better written than the Bill of Rights, which was composed by Congress two years after the Convention ended...

OUR Constitution is the first written national constitution in the world. Who can be called its authors? 'We the People' (but not of the United States) has been ascribed (but not with certainty) to James Wilson of Pennsylvania...



Robert H. Bork

groups were the day. The clashes had at least 100 casualties. Dozens of wounded in said.

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